



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Priority Financial Corp. / First Priority Bank

Person to be contacted regarding this report:	Lawrence E. Donato
CPP Funds Received:	\$9,175,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/20/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	3597042
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	58092
City:	Malvern
State:	Pennsylvania

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	As a four year old bank, one of our primary objectives is to grow our loan portfolio and to maintain a well-capitalized institution. During 2009, the Bank funded \$42 million in new loans offset by \$18 million in loan pay downs for a net increase in loans outstanding of \$24 million, or 14%.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>The increase in loans outstanding during 2009 consisted principally of \$14.4 million in CRE loans, of which 54% were owner occupied, \$5.1 million of C&I loans, primarily to smaller business, \$3.5 million in loans secured by 1-4 family residential properties and \$3.7 million in multifamily loans.</p>
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>Due to lower loan demand than expected during 2009, the Bank partially utilized the longer term funding provided by the TARP capital to provide \$7 million in financing to state and local municipalities by investing in municipal bonds, including Build America Bonds.</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

As mentioned previously, First Priority's business plan, as a four-year old denovo financial institution, requires the Bank to grow earning assets and the overall balance sheet in order to reach a level of profitability which can internally generate sufficient capital to support continued growth into the future. The issuance of the \$9 million in preferred stock under the TARP CPP program has allowed the institution to continue its business plan to grow lending relationships and will support additional loan growth in excess of \$100 million. The Bank's risk-based capital ratio at 12/31/09 was 15.46%, well in excess of the current 10% required to be considered "well capitalized" under regulatory Prompt Corrective Action Provisions. Without the TARP capital, the Bank's risk-based capital ratio would have been approximately 10.5% at 12/31/09 which would have limited future growth plans without issuing alternative qualifying capital.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The capital provided by the CPP funds allowed the Bank to invest in Build America Bonds and other financing required by certain state and local municipalities.

In addition, since the additional capital provided a means for the Bank to continue its strategic initiative to grow and expand its lending capabilities, several additional business generation personnel were added at the end of 2009 with the primary goal to increase loan generation and core deposit growth to both individuals and small businesses in two of our key market locations.

The additional capital provided increased the Bank's legal lending limit or the maximum amount that the Bank is allowed to lend to any one particular customer. This alone, could provide additional lending opportunities to existing business customers which may have been limited previously due to the size of the Bank. In addition, the increase in the lending limit will also allow the Bank to market and provide loan and deposit products to additional potential customers who might have a slightly higher borrowing need, and to create a more extensive banking relationship with those customers.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The additional capital that CPP funds provided allowed for a higher consumer confidence level thus enabling additional deposit gathering opportunities to fund incremental asset growth.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.